

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 1680, GPO Brooklyn, N.Y. 11202

Date: FEB 17 1988

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that the corporation was incorporated in [REDACTED] on [REDACTED].

The purposes for which the Corporation is organized is providing a representative group to speak on behalf of [REDACTED], to accumulate such fund or funds as may be necessary to support the activities of the Corporation, and to take advantage of first refusal of the land its members live on in case their landlord decides to sell said land.

The organization's activities consist of community picnics, Christmas parties, bowling league, sunshine club, walking club, theatre trips and bus tours.

Financial information submitted indicates that the organization's support is from membership dues and assessments and interest income. Its expenses are office, legal and miscellaneous expenses.

Section 501(c)(7) of the Code provides exemption to clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

An organization which is organized for pleasure, recreation, and other nonprofitable purposes must prove that its members are bound together by a common objective and that such common objective is directed towards pleasure, recreation, and other non-profitable purposes.

Although some of the organization's activities are social in nature, the primary purpose is to take advantage of first refusal of the land its members live on in case their landlord decides to sell said land. This clearly indicates that the organization's common objective is not directed towards pleasure, recreation and other non-profitable purposes within the meaning of I.R.C. 501(c)(7). Therefore, the organization has not satisfied the requirements of a social club under section 501(c)(7) of the Internal Revenue Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(7) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,



District Director

Enclosure: Publication 892

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 1680, GPO Brooklyn, N.Y. 11202

Date: FEB 17 1988

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that the corporation was incorporated in [REDACTED] on [REDACTED].

The purposes for which the Corporation is organized is providing a representative group to speak on behalf of [REDACTED], to accumulate such fund or funds as may be necessary to support the activities of the Corporation, and to take advantage of first refusal of the land its members live on in case their landlord decides to sell said land.

The organization's activities consist of sharing in its members' celebrations or observance, illness or hospitalization, advising its members of appropriate group health insurance and planning bus tours for its members.

Financial information submitted indicates that the organization's support is from membership dues and assessments and interest income. Its disbursements are for office, legal and miscellaneous expenses.

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

In Better Business Bureau v. U.S., 326 U.S. 279 (1945), the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption under Section 501(c)(3) of the Code, regardless of the manner or importance of the truly exempt purposes.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private individuals.

An organization is organized exclusively for one or more exempt purposes only if its Articles of Organization limit the purposes of such organization to one or more exempt purposes and do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes as indicated in section 501(c)(3) of the Internal Revenue Code.

The organization's purposes and activities as stated in its Articles of Organization and the 1023 application clearly indicate that the organization is not organized and operated exclusively for any of the purposes mentioned in section 501(c)(3) of the Code and that it serves a private rather than a public interest. Therefore, the organization has not satisfied the organizational and operational tests under section 501(c)(3) of the Internal Revenue Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(3) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

A solid black rectangular box used to redact the signature of the District Director.

District Director

Enclosure: Publication 892